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MEMORANDUM



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FROM: Tom Broderick
Director
Utilities Division

Arizona Corporation Commission

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AZ CORP COMMISSION
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RE: TRICO ELECTRIC COOPERATIVE – APPLICATION UNDER A.R.S. 40-252 TO AMEND DECISION NO. 70399, 73933, 74583 and 75120 (DOCKET NO. E-01461A-07-0433)

In Decision No. 70399, dated July 3, 2008, the Arizona Corporation Commission (“Commission”) approved an application of Trico Electric Cooperative, Inc. (“Trico” or “Company”) which sought authority to borrow \$83.98 million in construction work plan financing from the United States of America through the Rural Utilities Service (“RUS”).

As part of Decision No. 70399, the Commission ordered the following:

“IT IS FURTHER ORDERED that any authorization to incur debt granted in this proceeding shall terminate on December 31, 2013.”

Subsequent to Decision No. 70399, the Commission issued the following extensions of time on the termination date for Trico’s financing authority:

| <u>Decision</u> | <u>From</u> | <u>Until</u> |
|--------------------|-------------|--------------|
| Decision No. 73933 | 12/31/2013 | 7/31/2014 |
| Decision No. 74583 | 7/31/2014 | 7/31/2015 |
| Decision No. 75120 | 7/31/2015 | 7/31/2016 |

On April 7, 2016, Trico docketed an application under Arizona Revised Statutes (“A.R.S.”) § 40-252 to amend Decision Nos. 70399, 73933, 74583 and 75120 “to extend the financing authority granted in those Decisions for twelve months – from July 31, 2016 until July 31, 2017”. The application states the following:

“The slow economic recovery continues to affect Trico’s completion of the construction work plan. As of March 21, 2016, Trico had borrowed \$66,550,000 of the \$83,979,000 under the RUS Loan Contract – with approximately \$17,429,000 in un-advanced loan funds. However, Trico still has and will have a continuing need for advances of the remaining balance under RUS Loan Contract to fund its construction work plans beyond the July 31, 2016 termination date. As a result, by way of its letter to RUS dated March 31, 2016, Trico requested an additional extension of the RUS Loan Contract to July 31, 2017. However, as in previous years, Trico must obtain necessary regulatory approval from the Commission in order for the RUS extension to be effective. In order for Trico to access funds under this extension, Trico is now requesting the Commission to extend the

financing authority granted in Decision Nos. 70399, 73933, 74583 and 75120 from July 31, 2016 until July 31, 2017. Trico further requests that the Commission grant this extension of authority no later than its June 14, 2016 Open Meeting.”

Additionally, Trico has provided Staff with updated growth projections and an updated Construction Work Plan (2013-2016) as specified by Decision No. 75120. The list of projects in Trico’s updated Construction Work Plan will be used to enhance system operational capability and reliability. Staff has determined the projects are reasonable and appropriate. Trico has also provided Staff with additional information regarding the construction of several large system improvement projects that Trico is planning to fund in the next year. The anticipated projects are also reasonable and appropriate.

Based on all of the above, Staff does not oppose the Company’s request under Arizona Revised Statutes (“A.R.S.”) § 40-252 to amend Decision Nos. 70399, 73933, 74583 and 75120 to extend Trico’s financing authority. Staff therefore recommends that the authorization for Trico to incur debt in these decisions be extended from July 31, 2016 until July 31, 2017.

TB:BKB:nr/CHH

Originator: Brian K. Bozzo

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DOCKET NO. W-01461A-07-0433

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